

October 15, 2008

Philip Guidice, Commissioner
Department of Energy Resources
100 Cambridge Street, Suite 1020
Boston, MA 02114

RE: Comments Addressing Section 105 of Chapter 169 of the Acts of 2008

Dear Commissioner Guidice:

I am writing on behalf of NSTAR Electric Company (“NSTAR Electric” or the “Company”) at the invitation of the Department of Energy Resources (“DOER”) regarding Section 105 of Chapter 169 of the Acts of 2008 (the “Green Communities Act” or “GCA”). As you are aware, Section 11F among other things establishes a new “Class I” renewable energy generating requirement with part of that requirement coming from sources that are not greater than 2 MW and are located within the commonwealth and began commercial operation after December 31, 2007. In the paragraphs that follow NSTAR Electric will comment on a number of the outstanding issues before the DOER regarding the unresolved issues surrounding Class I regulations and how the legislation can be successfully implemented without overly burdening electric ratepayers in Massachusetts.

As the Department is well aware, the electric ratepayers in the commonwealth currently pay some of the highest electricity prices in the United States. In addition, overburdened ratepayers are presently funding investments in renewable energy projects via the Massachusetts Renewable Energy Trust Fund and the current Renewable Portfolio Standard (RPS) program. Significant additional requirements will compound the burden on ratepayers resulting in financial hardship and job losses in Massachusetts. The DOER must balance the Legislature’s goals of promoting renewable energy with the economic realities of high energy costs

NSTAR has developed three principal recommendations for the DOER as it works to develop and implement Class I standards.

- Rules should be developed that are clear, consistent and do not advantage one technology in favor of another.
- The required percentage for those resources that are no greater than 2 MW and are located within the commonwealth should be consistent with current supply levels.
- Alternative Compliance Payments (ACP) should be consistent across all of Class I

The Class I rules should be uniformly applied to all Class I technologies

NSTAR believes that the rules that are to be developed to implement this new definition of Class I should be clear and consistent across all technologies. They should not advantage any one technology over the other. The uniform application of RPS rules will put all technologies on the same competitive level to achieve the same environmental goals. NSTAR opposes any differentiation in the RPS rules. Differentiation is inherently unfair, administratively burdensome and resource intensive in its application.

The percentage required for small resources should be consistent with supply

The GCA Section 11F Subsection (g) requires the Department to set a portion of the required minimum percentage of renewable energy generation for Class I resources to come from on-site sources located in the commonwealth, having a capacity rating of not more than 2 megawatts and having begun commercial operation after December 31, 2007.

NSTAR Electric believes that the percentage of these on-site technologies should be consistent with current supply levels in order to avoid unnecessary burdening customers with ACP payments for supply that does not exist. NSTAR Electric supports a small percentage of these technologies as part of the total Class I RPS, consistent with the current number of MWs in the market. This percentage could then grow with time at the same rate as the entire Class I RPS percentage.

ACP Payment levels should consistent across all of Class I

NSTAR supports keeping the ACP for all of Class I the same. It should be set at the same level as the current RPS program. There should be no differentiation for on-site generation up to 2 MW located in the commonwealth as referred to in the GCA Section 11F Subsection (g). This current level has shown that it can stimulate renewable development in Massachusetts and New England. Though Class I and its sub-set will have the same ACP, this does not mean the REC payment for each will be the same. The process of creating a sub-set with its own percentage will create an independent market for those resources with the price being driven by its own supply demand dynamics.

Conclusion

The current RPS program has produced a market that has stimulated renewable generation in both Massachusetts and New England. The effort by the Legislature to promote an expansion by instituting a Class I requirement can work just as effectively if properly designed and administered. The requirement of a portion of Class I to be produced in Massachusetts will further the development of renewables in the commonwealth as well. All of this can and must be accomplished with an eye towards the ultimate cost to the Massachusetts ratepayers.

NSTAR ELECTRIC COMPANY

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